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Ohio Credit Union League's Comments on the Treasury Department's Proposal to Transmit Government Benefits Electronically

The Ohio Credit Union League, the Trade Association in Ohio representing more than five hundred (500) credit unions, appreciates the opportunity to comment on the Department of Treasury's Proposal to Transmit Government Benefits Electronically.

Credit unions are restricted in their ability to expand their field of membership through a relationship amongst its members called a "common bond". Recent litigation and legislation have resulted in a restriction on this process. Furthermore, credit unions are member owned financial cooperations governed by unpaid volunteer boards of directors elected by and for the membership. Moreover, in redrafting the Federal Credit Union Act, Congress intended credit unions "to make more credit available to people of small means for provident purposes."

Credit unions have continued to fulfill their mission through service to the unserved and underserved through the creation of Community Development Credit Unions, low-income designated credit unions, and the expansion of existing credit unions into areas with limited or without financial services.

Under this proposal, one of the major issues that must be addressed is how the Department of Treasury will provide these payments electronically to the intended ten (10) million recipients who do not have an account at a financial institution. Furthermore, this service must be provided at a reasonable cost with relevant regulatory protection.

In reviewing this proposal, the first issue that must be considered is who can provide this service to these individuals. As previously stated, Ohio has more than six hundred (600) credit unions with approximately 50% state chartered. Moreover, approximately 50% of the state chartered credit unions are privately insured. As such, these privately insured credit unions should be included within the definition of "financial institution" and permitted to provide these Electronic Banking Transfer services.

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The second issue that must be considered is the method for determining the financial institution designated as the depository for the individual(s). It appears that the "Treasury [Department] ... plans to obtain account services through a competitive process that will select one or more institutions to be its agent and provide the accounts." Furthermore, these designated agents would most likely be located by geographical regions and required to provide the individual(s) access to an Electronic Transfer Account at a reasonable cost, subject to the applicable consumer regulation, through an access card that could be used at ATMs and point-of-sale terminals.

However, under these criteria, any potential designated agent would most likely be limited to the large financial institutions with extensive ATM machines. More importantly this proposal does not address, nor define, "reasonable cost" such as ATM fees, account fees, ATM surcharges, etc. The most likely factors for the approximate ten (10) million individuals who currently do not have accounts with a financial institution are cost, location, and their economic situations. Therefore, reasonable cost should be defined in terms of the clientele that will be served under this proposal. As such, they should be borne by the provider of the services or the entity requiring compliance, both of which have been addressed below.

Credit unions on the other hand, by virtue of their unique structure and philosophy as cooperative financial institutions, exist to serve their members. As such, one recommendation would be to determine which financial institution in the geographical areas would be interested in soliciting financial services to those individuals that do not have a financial institution. This could be easily accomplished by including names and locations and any restrictions, i.e., field of membership, through correspondence to the individuals. This would allow the individuals to choose the financial institution of their choice, and receive other financial services, and not the Department of Treasury's choice. Upon completion of this process, the Department of Treasury could ask for bids on becoming a designated agent.

The third issue that must be addressed is what services should be provided. First, if this financial institution is only designated by the Department of Treasury as a depository and the individual does not open or convert that "depository account" to a full service account, i.e., membership account if a credit union, then the only service provided should be one of funds availability. The financial institution should not be required to provide any other service unless agreed to with the Department of Treasury.

The fourth issue that must be addressed is the protection and liability of the account, particularly under Regulation E, and who is responsible. As stated above, if the financial institution is so designated by the Department of Treasury, that agreement between the parties should designate liability. It is not reasonable to expect that individuals who do not currently have an account with a financial institution be held to the requirements of liability currently in place if their use of an ATM card is lost or stolen. For many of these individuals, the use, knowledge, understanding, or protection of a card of this type most likely is a responsibility either unknown or not understood. Consequently, this liability should be borne by the Department of Treasury or the financial institution, if agreed between the Treasury and the financial institution.

The fifth issue that must be addressed is what party bears the cost of this arrangement. If the individual is assigned a depository account at a financial institution that is the designated agent for the Department of Treasury, the majority of the cost should be the responsibility of the Department of Treasury or the financial institution as agreed between the Department of Treasury and the financial institution. The only costs that this individual should be responsible for are any withdrawal fees, in person or by ATM, which are the same as other depositors (or members) would pay.

Finally, the Ohio Credit Union League would be willing to work with the Department of Treasury, the National Credit Union Administration, and the Ohio Division of Financial Institutions to research the possibility of permitting "depository accounts" in order to provide these individuals with an alternative to other financial institutions.

If you have any questions, comments, or if the League can be of additional assistance, please do not hesitate to contact me.

Respectfully submitted,

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